

FISCAL NOTE

TO: Chief Clerk of the Senate
Chief Clerk of the House

FROM: James A. Davenport, Executive Director

DATE: March 15, 1995

SUBJECT: **SB 750 - HB 1207**

This bill, if enacted, will amend the retirement law relative to teachers by defining *average final compensation* to mean the average salary of the teacher's three highest consecutive years of salary. The bill also provides for certain out-of-state service to be used in calculating the amount of retirement allowance which certain teachers will be entitled to upon retirement. In addition, the bill increases the formula in calculating a Group 1 member's retirement allowance by substituting 1.6% for 1.5%.

The fiscal impact from enactment of this bill is estimated to be an increase in the lump sum liability of the pension's plan by approximately \$899,000,000 with an increase in first year state expenditures of approximately \$65,523,000 and an increase in first year local government* expenditures of approximately \$21,841,000. Details of this estimate are shown below:

	<u>Lump Sum Liability</u>	<u>First Year Cost</u>
3 Year AFC	\$420,000,000	\$40,375,000
Out-of-State Service	37,000,000	3,629,000
1.6% Formula	<u>442,000,000</u>	<u>43,360,000</u>
TOTAL	<u>\$899,000,000</u>	<u>\$87,364,000</u>

Funding

State	\$65,523,000
Local	\$21,841,000

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*